

# Financial Statements

Sun Valley Center for the Arts, Inc.  
dba Sun Valley Museum of Art  
(a nonprofit organization)  
Year ended May 31, 2022



## Table of Contents

---

<b>Independent Auditors' Report</b>	3
<b>Financial Statements</b>	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
<b>Federal Awards Reports in Accordance with the Single Audit Act and Uniform Guidance</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Expenditures of Federal Awards	26
Notes to Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28
Schedule of Prior Audit Findings	30

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sun Valley Center for the Arts, Inc.  
d.b.a. Sun Valley Museum of Art  
Sun Valley, Idaho

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art, which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art as of May 31, 2022, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.





In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2023, on our consideration of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's internal control over financial reporting and compliance.

*Harris CPA's*

Meridian, Idaho  
January 17, 2023



**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF FINANCIAL POSITION**  
**May 31, 2022**

---

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 2,801,046
Investments	2,546,806
Accounts receivable	31,210
Pledges and grants receivable	38,550
Inventory	138,426
Prepaid expenses	<u>225,648</u>

Total Current Assets 5,781,686

**Other Long-term Assets – Endowment**

Cash	14,121
Investments	<u>1,102,691</u>

Total Endowment 1,116,812

**Property and Equipment, net**

1,483,547

Total Assets \$ 8,382,045

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 76,345
Accrued liabilities	151,802
Deferred revenue	<u>711,246</u>

Total Liabilities 939,393

**Net Assets**

Without donor restrictions	7,332,652
With donor restrictions	<u>110,000</u>

Total Net Assets 7,442,652

Total Liabilities and Net Assets \$ 8,382,045

See notes to financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended May 31, 2022**

---

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Total</u></b>
<b>Revenues and Other Support</b>			
Contributions and grants	\$ 2,291,569	\$ 105,000	\$ 2,396,569
Special events, net	956,842		956,842
Program revenue	239,303		239,303
Memberships	292,280		292,280
In-kind Contributions	84,251		84,251
CARES Act – PPP Loan	315,264		315,264
Investment income (loss), net	(185,156)		(185,156)
Loss on sale of equipment	(10,698)		(10,698)
Impairment of Liberty Theater	(1,171,896)		(1,171,896)
Other	<u>16,961</u>		<u>16,961</u>
	2,828,720	105,000	2,933,720
Net assets released from restrictions	<u>91,640</u>	<u>(91,640)</u>	<u>0</u>
 Total Revenue	 2,920,360	 13,360	 2,933,720
<b>Expenses</b>			
Program services			
Education	496,317		496,317
Performing arts	474,174		474,174
Visual arts	422,476		422,476
Theatre	<u>200,014</u>		<u>200,014</u>
 Total Program Services	 1,592,981	 0	 1,592,981
Supporting services			
Fundraising	630,087		630,087
Administrative	<u>425,871</u>		<u>425,871</u>
 Total Supporting Services	 <u>1,055,958</u>	 <u>0</u>	 <u>1,055,958</u>
 Total Expenses	 2,648,939	 0	 2,648,939
 Change in Net Assets	 271,421	 13,360	 284,781
<b>Net Assets</b>			
Beginning of Year	<u>7,061,231</u>	<u>96,640</u>	<u>7,157,871</u>
 End of Year	 <u>\$ 7,332,652</u>	 <u>\$ 110,000</u>	 <u>\$ 7,442,652</u>

See notes to financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**DBA SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended May 31, 2022**

	Program Services				Total Program			2022
	Education	Performing Arts	Visual Arts	Theatre	Services	Fundraising	Administrative	Total
Salaries and wages	\$ 269,175	\$ 148,533	\$ 186,185	\$ 1,916	\$ 605,809	\$ 257,362	\$ 172,011	\$ 1,035,182
Production expenses	74,026	141,798	58,866	3,098	277,788	112,015	6,258	396,061
Professional services	15,254	32,503	11,504	195,000	254,261	51,663	11,414	317,338
Office expenses	23,979	24,893	70,006		118,878	1,760	73,594	194,232
Marketing	39,284	25,340	24,010		88,634	88,659	8,302	185,595
Human resources	29,787	29,746	29,764		89,297	100	29,746	119,143
Occupancy	16,441	40,951	16,141		73,533	13,902	15,641	103,076
Catering and décor	29				29	99,011		99,040
Depreciation					0		86,054	86,054
Repairs and maintenance	7,313	7,295	7,489		22,097	180	7,295	29,572
Insurance	7,178	7,448	7,222		21,848		7,178	29,026
Office equipment	5,323	5,323	5,323		15,969		5,323	21,292
Travel	1,200	3,828	3,638		8,666	2,428	727	11,821
Other expenses	7,328	6,516	2,328		16,172	3,007	2,328	21,507
Total Expenses	<u>\$ 496,317</u>	<u>\$ 474,174</u>	<u>\$ 422,476</u>	<u>\$ 200,014</u>	<u>\$ 1,592,981</u>	<u>\$ 630,087</u>	<u>\$ 425,871</u>	<u>\$ 2,648,939</u>

See notes to financial statements.



**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended May 31, 2022**

---

**Cash Flows From Operating Activities**

Change in net assets	\$ 284,781
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	86,054
Loss on sale of assets	1,182,594
Realized gain on sale of investments	(63,023)
Unrealized loss on investments	296,266
Changes in operating assets and liabilities:	
Accounts receivable	(30,300)
Grants receivable	(17,500)
Pledges receivable	22,423
Prepaid expenses	(176,165)
Inventory	(138,426)
Accounts payable and accrued expenses	27,026
Deferred revenue	689,598
CARES Act – PPP Loan	<u>(315,264)</u>
Net Cash Provided (Used) By Operating Activities	1,848,064

**Cash Flows From Investing Activities**

Purchase of equipment	(17,370)
Purchase of investments	(403,873)
Proceeds on sale of investments	<u>383,388</u>
Net Cash Provided (Used) By Investing Activities	<u>(37,855)</u>

Net Change in Cash and Cash Equivalents	1,810,209
---	-----------

**Cash and Restricted Cash**

Beginning of Year	<u>1,004,958</u>
End of Year	<u><u>\$ 2,815,167</u></u>

**Reconciliation of Cash and Restricted Cash Balances:**

Cash	\$ 2,801,046
Endowment – Restricted Cash	<u>14,121</u>
Total Cash and Restricted Cash Balance	<u><u>\$ 2,815,167</u></u>

See notes to financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.  
D.B.A. SUN VALLEY MUSEUM OF ART  
NOTES TO FINACIAL STATEMENTS**

---

**Note A – Summary of Significant Account Policies**

*Nature of Organization*

Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art, (the Museum) is a not-for-profit museum dedicated to enrich the community through transformative arts and educational experiences. The Museum provides educational and cultural programming for the citizens of Blaine County, Idaho.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation*

The Museum reports net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

*Use of Estimates*

The Museum uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from estimates.

*Cash and Cash Equivalents*

The Museum considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Museum to significant concentrations of credit risk consist principally of cash and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 and the Securities Investor Protection Corporation for up to \$500,000. At May 31, 2022, the Museum's uninsured cash and investment balances totaled \$4,883,393.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note A – Summary of Significant Account Policies (Continued)**

*Receivables*

Unconditional promises to give are recognized as revenues in the period received as assets, decreases of liabilities, or expenses, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Receivables are not collateralized and, as a result, management continually monitors the financial condition and payment history of its income sources to reduce the risk of loss. As of May 31, 2022, the Museum believes all receivables will be fully collectible.

Receivables are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

*Investments*

Investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

*Inventory*

Inventory is comprised of wine donated to the Museum for use in their annual wine auction. Wine inventory is valued at the lower of their current market value or the fair value at the time received, determined by the first-in first-out method. Management has determined that an allowance for inventory obsolescence is not necessary at May 31, 2022.

*Property and Equipment*

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. The Museum capitalizes all property and equipment with a cost in excess of \$1,000 and a useful life longer than one year.

*Accrued Vacation*

Includes amounts for vacation days, which are earned ratably based upon length of employment.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note A – Summary of Significant Account Policies (Continued)**

*Fair Value*

The Museum uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statement of financial position, which approximates fair value due to their short term, highly liquid nature.

*Revenue Recognition*

Performing arts income is earned when the production occurs. Performance obligations are generally providing the live performance at a point in time. Ticket sale proceeds received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Museum reports gifts of property and equipment as unrestricted support unless explicit donor restrictions are placed on the donated assets. Membership income is recognized when received as contributions with donor restrictions. Special event ticket sales and sponsorships are recorded in the period in which the event occurs.

*Contributions and Donor Imposed Restrictions*

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

*Special Events and Fundraising*

Special events are shown net of direct benefit costs related to the Museum's annual wine auction. Direct benefits expense totaled \$197,200 for the year ended May 31, 2022. The remaining fundraising costs in the statement of functional expenses are for other fundraising activities.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINACIAL STATEMENTS**

---

**Note A – Summary of Significant Account Policies (Continued)**

*In-kind Contributions*

The Museum receives in-kind goods largely consisting of wine donated for use in the Museum's annual wine auction. In-kind contributions are recognized as revenue when received, as expenditures when the resources are consumed and valued at the lower of their current market value or the fair value at the time received.

*Functional Allocation of Expenses*

The costs of providing the program have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries and wages, benefits and payroll taxes are allocated based on the time spent by each employee on each respective program or supporting function. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Museum.

*Income Tax Status*

The Museum is classified as a Section 501(c)(3) organization that is exempt from income taxes under the Federal Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements. In addition, the Museum has been classified as an organization that is not a private foundation under Section 509(a)(2).

*Uncertain Tax Positions*

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Museum may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2022.

The Museum files Form 990 in the U.S. federal jurisdiction. The Museum is generally no longer subject to examination by the Internal Revenue Service for years before 2018.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note A - Summary of Significant Account Policies (Continued)**

*Advertising*

The Museum uses advertising to promote its programs. Advertising costs are expensed as incurred. The Museum incurred \$64,275 in advertising expenses for the year ended May 31, 2022.

*Subsequent Events*

The Museum has evaluated subsequent events through January 17, 2023, which is the date the statements of financial position were available to be issued.

**Note B – Liquidity and Availability of Resources**

The Museum's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and restricted cash	\$ 2,815,167
Investments and restricted investments	3,649,497
Receivables	<u>69,760</u>

Total financial assets available within one year	6,534,424
--	-----------

Less amounts unavailable for general expenditures within one year, due to:

Board designation – capital projects	(2,765,655)
Board designation – endowment funds	(1,116,812)
Restricted by donors with purpose restrictions	<u>(110,000)</u>

Total amounts unavailable for general expenditures within one year	<u>(3,992,467)</u>
--	--------------------

Total financial assets available within one year after restriction	<u>\$ 2,541,957</u>
--	---------------------

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At May 31, 2022, all net assets without donor restrictions are available for payment of (any major expenditures incurred), except for contributions receivable which are available when the receivable is collected. If necessary, board designated endowment funds may be used to assist with liquidity needs.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINACIAL STATEMENTS**

---

**Note C - Investments**

Investments as of May 31, 2022 are summarized as follows:

Cost	\$ 3,945,763
Unrealized gain	<u>(296,266)</u>
Fair value	<u>\$ 3,649,497</u>

Investment income (loss) consists of the following for the year ended May 31, 2022:

Interest and dividends	\$ 58,715
Unrealized gain (loss)	(296,266)
Realized gain (loss)	63,023
Portfolio management fees	<u>(10,628)</u>
	<u>\$ (185,156)</u>

**Note D – Fair Value of Assets and Liabilities**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value instrument.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note D – Fair Value of Assets and Liabilities (Continued)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Museum holds actively traded mutual funds measured using Level 1 inputs and bonds using Level 2 inputs.

The following table sets forth by level, within the fair value hierarchy, the Museum's investments at fair value as of May 31, 2022.

		<u>Fair Value Measurements Using</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond funds	\$ 454,935	\$	\$ 454,935	\$ 0
Mutual funds - ETFs	<u>3,194,562</u>	<u>3,194,562</u>		
Total	<u>\$ 3,649,497</u>	<u>\$ 3,194,562</u>	<u>\$ 454,935</u>	<u>\$ 0</u>

**Note E – Property and Equipment**

At May 31, 2022, property and equipment consists of the following:

Buildings and land	\$ 2,187,661
Furniture, fixtures and equipment	321,852
Autos and Trucks	<u>15,208</u>
	2,524,721
Less accumulated depreciation	<u>(1,041,174)</u>
	<u>\$ 1,483,547</u>

Depreciation expense for the year ended May 31, 2022 was \$86,054.

**Note F – Line of Credit**

The Museum has a \$250,000 line of credit. Any unpaid balance accrues interest at the Wall Street Journal Prime Rate plus 1.85%. The line is secured by the Museum's assets and matures in March 2024. The line of credit had no outstanding balance at May 31, 2022.



**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note G – CARES Act and American Rescue Plan Act**

On January 20, 2021, the Museum received loan proceeds in the amount of \$315,264 under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Museum is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Proceeds from the loan are eligible for forgiveness if the Museum maintains employment levels during its eight-week covered period and uses the funds for certain payroll, rent, and utility expenses. The Museum expended the entire PPP Loan amount on qualifying expenses and received loan forgiveness from the lender on April 20, 2022. Therefore the entire \$315,264 loan balance was recognized as revenue for the year ended May 31, 2022.

During 2022, the Museum applied for and received the Shutter Venue Operators Grant (SVOG) that was part of the American Rescue Plan Act in the amount of \$782,557. The SVOG program provides grant awards to support the ongoing operations of eligible live venue operators who have experienced significant revenue losses because of the COVID-19 pandemic. SVOG award funds may be used for ordinary and necessary business expenditures incurred between March 1, 2020, and June 30, 2022. During the year ended May 31, 2022, the Museum expended the SVOG grant funds on eligible payroll costs and recognized \$782,557 in grant revenue.

**Note H – Net Assets**

The detail of the Museum’s net asset categories at May 31, 2022, is as follows:

Without donor restrictions:	
Invested in property and equipment	\$ 1,483,547
Board designated - capital projects	2,765,655
Board designated - endowment funds	1,116,812
Undesignated surplus	<u>1,966,638</u>
Total without donor restrictions	7,332,652
With donor restrictions:	
Unexpended funds received for restricted purposes:	
Future exhibitions	65,000
Education	40,000
Endowment funds	<u>5,000</u>
Total with donor restrictions	<u>110,000</u>
Total net assets	<u>\$ 7,442,652</u>

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note I – Endowment Funds**

The Museum's endowment consists of one board designated fund and one donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Since the board designated endowment amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Board of Trustees of the Museum has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Museum considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, these factors include: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 5%, while growing the funds if possible. Actual returns in any given year may vary. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note I – Endowment Funds (Continued)**

The Museum has a discretionary policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value as determined on the last day of the 36 months preceding the determination of the corporation's budget for the forthcoming year. The finance committee will recommend to the Board of Directors annually if the distribution should be made prior to the beginning of the fiscal year, or retained within the endowment fund. In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

*Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2022*

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 1,207,548	\$ 5,000	\$ 1,212,548
Interest and dividend income, net of expense	16,533		16,533
Unrealized loss	(170,292)		(170,292)
Realized gain	<u>63,023</u>	<u></u>	<u>63,023</u>
Change in endowment net assets	<u>(90,736)</u>	<u>0</u>	<u>(90,736)</u>
Endowment net assets, end of year	<u>\$ 1,116,812</u>	<u>\$ 5,000</u>	<u>\$ 1,121,812</u>

*Endowment Net Asset Composition by Type of Fund for the Fiscal Year Ended May 31, 2022*

	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Board-designated	\$ 1,116,812	\$ 0	\$ 1,116,812
Donor restricted	<u></u>	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 1,116,812</u>	<u>\$ 5,000</u>	<u>\$ 1,121,812</u>

**FEDERAL AWARDS REPORTS IN ACCORDANCE WITH THE SINGLE AUDIT ACT  
AND UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Sun Valley Center for the Arts, Inc.  
d.b.a. Sun Valley Museum of Art  
Sun Valley, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art' internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Museum's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Harris CPA". The signature is written in a cursive, flowing style.

Meridian, Idaho  
January 17, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Sun Valley Center for the Arts, Inc.  
d.b.a. Sun Valley Museum of Art  
Sun Valley, Idaho

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's major federal programs for the year ended May 31, 2022. All of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Museum's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Museum's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Harris CPA". The signature is written in a cursive, flowing style.

Meridian, Idaho  
January 17, 2023

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended May 31, 2022**

---

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. SMALL BUSINESS ADMINISTRATION			
Shuttered Venue Operators Grant			
Direct Award	59.075	N/A	\$ <u>782,557</u>
Total expenditures of federal awards			\$ <u>782,557</u>

See notes to schedule of expenditures of federal awards.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

---

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards include the federal award activity of Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B – Summary of Significant Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C – Indirect Cost Rate**

Expenditures reported on the Schedule on reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Sun Valley Center for the Arts, Inc dba Sun Valley Museum of Art has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended May 31, 2022**

---

**Section I – Summary of Audit Results**

**Financial Statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards:**

Internal control over major programs:

- Material weakness identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516?

\_\_\_\_\_ yes   X   no

*Identification of major programs:*

CFDA Number

Name of Federal Program

59.075

Shuttered Venue Operators Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes   X   no

**SUN VALLEY CENTER FOR THE ARTS, INC.  
D.B.A. SUN VALLEY MUSEUM OF ART  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended May 31, 2022**

---

**Section II – Financial Statement Findings**

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

**Section III – Federal Award Findings and Questioned Costs**

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended May 31, 2022**

---

There were no findings in the prior year.